

ORIGINAL

DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
WAI'OLA O MOLOKA'I, INC.)
For Review and Approval of Rate Increases;)
Revised Rate Schedules; and Revised Rules)

DOCKET NO. 2009-0049

DIVISION OF CONSUMER ADVOCACY'S
INFORMATION REQUESTS

Pursuant to the Stipulated Regulatory Schedule approved in Order Approving Proposed Procedural Order, as Modified filed on November 6, 2009, the Division of Consumer Advocacy submits its **THIRD SUBMISSION OF INFORMATION REQUESTS** in the above docketed matter. In addition, based on an informal agreement with the Applicant, the following two submissions of Information Requests were informally filed with the Applicant on the following dates:

First Submission

September 11, 2009

Second Submission

September 16, 2009

DATED: Honolulu, Hawaii, November 12, 2009.

Respectfully submitted,

By Catherine P. Awakuni
CATHERINE P. AWAKUNI
Executive Director

DIVISION OF CONSUMER ADVOCACY

DOCKET NO. 2009-0049

WAI'OLA O MOLOKA'I, INC.

THIRD SUBMISSION OF INFORMATION REQUESTS

INSTRUCTIONS

In order to expedite and facilitate the Consumer Advocate's review and analysis in the above matter, the following is requested:

1. For each response, the Company should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, the Company should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by the Company to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, Company instructions, or any other relevant authoritative source which the Company used.
4. Should the Company claim that any information is not discoverable for any reason:
 - a. State all claimed privileges and objections to disclosure;

- b. State all facts and reasons supporting each claimed privilege and objection;
- c. State under what conditions the Company is willing to permit disclosure to the Consumer Advocate (e.g., protective agreement, review at business offices, etc.); and
- d. If the Company claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that the Company claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).

DOCKET NO. 2009-0049

WAI'OLA O MOLOKA'I, INC.

THIRD SUBMISSION OF INFORMATION REQUESTS

CA-IR-35

Ref: WOM 10.3.

- a. On pages 23 – 24 of WOM-T-100, the Company indicates that the test year estimate reflects a significant increase in the expense related to Well 17 water. Please confirm that the rates are increasing relevant to the requested increase in the bulk water sales (Kualapuu Bulk Sale Contract) rate that MPU is seeking.
- b. Please discuss the possible disposition of the test year estimate for this item if the Commission has not yet issued its decision and order relating to the appropriate rate for this item.
- c. Please discuss the Company's position on the possible regulatory actions that should be taken if the Commission approves a rate for bulk water sales subsequent to an order setting rates in the instant proceeding and the bulk rate varies significantly from the requested rate in Docket No. 2009-0048.
- d. If applicable, please provide a copy of the contract that dictates the terms of this agreement.

- e. On MPU 11 in Docket No. 2009-0048, it appears that the test year estimate is based on escalating \$1.25 by 1.73659 and applying that rate to an estimated volume of 26,000.
 - 1. Please discuss whether the present rate for bulk sales is \$1.25 as shown on MPU 11 or \$1.125 as shown on MPU 4.
 - 2. On MPU 11 in Docket No. 2009-0048, the proposed rates appears to be \$2.171, but the proposed rate for the bulk sales as shown on MPU 5 is \$2.8301 for Phase I and \$3.3984 for Phase II. Please discuss the apparent discrepancy.
- f. Please discuss whether there are any studies that have confirm the reasonableness of the costs attributed to the bulk sales. If so, please provide a copy of the applicable study, report or analysis.
- g. Please provide the recorded amount of water transported under this agreement for each of the past five years (2004 - 2008).

CA-IR-36

Ref: WOM 10.3.

The Company has projected \$42,000 of DHHL to Wailoa at Kalae expenses.

- a. Please explain why the recorded amount more than doubled from 2006 to 2007.
- b. Please explain the recorded increase in the expense from 2007 (\$23,715) to 2008 (\$39,671).
- c. Please provide a copy of the contract or agreement governing the arrangement to obtain and transport the water recorded as this expense.
- d. The Company's test year estimate appears to be a hard input in the Company's revenue requirement model. Please discuss how the test year estimate was developed. Please provide a copy of any supporting calculations, assumptions, etc.

CA-IR-37

Ref: WOM 10.3.

The Company records expenses related to potable water at Puunana.

- a. Please provide a copy of the agreement or contract that governs this arrangement.
- b. Please provide a copy of any studies or analysis that supports the reasonableness of the charges assessed under this agreement.
- c. Please explain why the recorded expense for this line item decreased between 2005 (\$138,659) and 2006 (\$85,343).

- d. Please explain why the recorded expense for this line item decreased between 2006 (\$85,343) and 2007 (\$39,084).
- e. Please explain why the recorded expense for this line item decreased between 2007 (\$39,084) and 2008 (\$8,516).
- f. The Company's test year estimate appears to be a hard input in the Company's revenue requirement model. Please discuss how the test year estimate was developed. Please provide a copy of any supporting calculations, assumptions, etc.

CA-IR-38

Ref: WOM 10.4.

- a. If WOM is not recording the expenses related to chemicals and testing as well as treatment expenses in this line item, please identify where these expenses are being reflected.
- b. Please discuss the advantages and disadvantages of recording the chemicals and testing expenses separately as compared to, say, as a loading factor.

CA-IR-39

Ref: WOM 10.5.

- a. Please confirm that the fuel for vehicles reflected on this schedule represents fuel expenses that are solely attributable to the Company.

- b. Assuming that the response to part a. is in the affirmative, please discuss the procedures that are used to ensure that the fuel expenses recorded for the Company are properly attributable to the Company.
- c. Please discuss whether the fuel expenses reflect the usage related to the six vehicles that are identified in the Company's records.
- d. Please confirm that the Company is asserting that, not including any fuel expenses attributed to MOSCO, the combined fuel expense for vehicles used for WOM and MPUI is \$24,804, \$23,757, and \$23,524 for 2008, 2007, and 2006, respectively. (sources are WOM 10.5 and MPU 10.5). If this understanding is incorrect, please explain what the amounts on each schedule represent.

CA-IR-40

Ref: WOM 10.6.

- a. Please provide a detailed explanation of the types of activities that are reflected as an allocation of the finance department.
- b. Please provide a copy of the documents that support the charges made to the Company as a finance department allocation in each of the years 2004 through 2008.
- c. If not provided elsewhere, please provide the following:

1. list of the positions that contribute to the allocation;
 2. the wages and/or salaries for each of the listed positions that contribute to the finance department allocation; and
 3. an explanation why the functions that are attributed to the Company are necessary on an annual basis.
- d. Please discuss whether the Company considered employing a bid process to determine whether it might be more cost effective to obtain the services described in part (a) of this information request.

CA-IR-41

Ref: WOM 10.7.

- a. Please provide an explanation what the recorded cost of \$11,313 represents. In the Company's response, please include information or discussion regarding the following:
1. the vendor used;
 2. the nature of the services that were procured;
 3. support that the costs reflect an ongoing type of activity, whether annually or on a periodic (e.g., five years) basis.
- b. Please discuss whether the Company relied upon a bid process to support its selection of outside services providers.

Ref: WOM 10.8.

- a. The Company recorded \$5,479 of plant direct R&M expenses for the period ended June 2007.
 1. Please describe the nature of the expenses incurred;
 2. Please explain why the level of expenses increased over the prior year levels; and
 3. Please explain why it is reasonable to expect that the level of expenses should be recurring, whether on an annual or periodic (e.g., five years) basis.
- b. The Company recorded \$10,160 of plant direct R&M expenses for the period ended June 2008.
 1. Please describe the nature of the expenses incurred;
 2. Please explain why the level of expenses increased over the prior year levels; and
 3. Please explain why it is reasonable to expect that the level of expenses should be recurring, whether on an annual or periodic (e.g., five years) basis.
- c. Based on WOM 10.8, beginning in 2006, a different accounting procedure resulted in expenses being directly charged that were previously charged from MPL to operating subsidiaries.
 1. Please describe the nature of the R&M expenses being directly charged to the Company that were

previously charged from MPL. In your explanation, please provide separate discussions of labor and non-labor expenses.

2. If not already discussed, please explain why it was not possible for the utility employees to perform all of the necessary R&M duties for any labor expenses directly charged to the Company previously charged from MPL.
 3. If the direct charged R&M expenses previously charged from MPL are all non-labor expenses, please explain why these amounts were not recorded as WOM direct charges.
 4. There was \$7,011 recorded for the period ended 2006. The average for 2007 and 2008 activity was less than \$4,000. Please explain the difference.
- d. Please discuss whether the Company relied upon a bid process to support its selection of outside services providers.

CA-IR-43

Ref: WOM 10.10.

- a. Please provide a detailed description of the type or types of insurance that is reflected as direct expenses.
- b. Please provide a detailed description of the type or types of insurance that is reflected as charged from MPL.

- c. Please provide a copy of the premium notice or other documents that support the projected expense level for all types of insurance reflected as insurance expense.
- d. If the insurance reflects a total that is allocated among various subsidiaries, please provide the means by which the costs are properly attributed or allocated. If different methods were used in various years, please provide the method or methods used in each of the past five years and explain the need for the change at each modification in the method.

CA-IR-44

Ref: WOM 10.11.

- a. Please provide the current amount of regulatory expenses incurred to date broken down by each type of expense.
- b. Please provide the budgeted amount of hours of each type of category and the actual hours incurred to date for each of the applicable phases.
- c. Please discuss whether the Company relied upon a bid process to support its selection of outside services providers.

CA-IR-45

Ref: WOM 10.12.

- a. Please provide a detailed description of the type of travel expenses that the Company incurs.

1. Please identify each trip and the cost associated with each trip for each of the years 2005 and 2008.
 2. For each identified trip, please describe the nature of the trip and how it relates to the Company's regulated utility business.
- b. Please justify the level of travel expenses that the Company proposes to recover from ratepayers and explain why such travel expenses are necessary and reasonable for regulated water utility company of the Company's size.
 - c. If not already discussed, please confirm that the Company thoroughly investigates other means or alternatives to travel, such as electronic mail, teleconference or video conferencing, before relying upon travel to conduct regulated utility operations.

CA-IR-46

Ref: WOM 10.12.

- a. The Company's request is proposing to recover approximately \$818 of cellular expense in the test year (a five year average). Please provide a copy of the Company's most recent cellular bill that supports this estimate.
- b. While the Consumer Advocate can recognize the need for cellular service, given that the Company already has

telephone service, please justify the projected cellular expense reflects a reasonable amount for the Company's size.

c. The Company is projecting that there will be \$1,000 of communications expenses charged from MPL. Please provide a detailed explanation of the type of expenses reflected in this amount.

1. Since the Company is already reflecting \$849 for telephone and cellular expense in the test year, please justify the reasonableness of an additional \$1,000 for communications expense for a small water utility company.

d. If any of the \$1,000 reflects allocated expenses, please provide the workpapers used to determine the appropriate allocated amount.

CA-IR-47

Ref: Application.

While the amended application was filed on June 2009, it appears that the latest information reflected in the Company's application reflects information only through June 2008 for the most part and, in some instances, a few months later. Please provide updated information for each of the WOM 9, 10 and 11 schedules through

October 2009 (September if October recorded values are not yet available).

CA-IR-48

Ref: Application.

- a. Please identify each of the cost containment measures that the Company has implemented for labor and non-labor expenses in each of the past five years.
- b. If the Company has not implemented any such measures, please explain why not.

CA-IR-49

Ref: Application – Rate Design.

- a. Please discuss whether the Company has considered tiered usage rates to encourage conservation. If such discussions have occurred, please indicate the outcome of those discussions.
- b. Please provide the data relied upon in evaluating tiered rates.
- c. If not already provided in response elsewhere, please provide the monthly usage data for each of the past 24 months by customer meters and by consumption levels (i.e., consumption itemized by tiered thresholds). For purposes of this question, if the Company already has data by thresholds it has considered, provision of that data is

sufficient. If the Company has not developed its own thresholds yet, the use of any convenient increments is acceptable.

CA-IR-50

Ref: Application.

- a. If not already provided elsewhere, please confirm that there are no known changes in any of the development areas or customers that might affect the test year estimate of customers or usage.
- b. If additional sales and customer data has become available beyond the application or any other response, please provide updated data on usage and customer count.

CA-IR-51

Ref: WOM 11.1 and WOM-T-100, pages 30 - 31.

The Company indicates that it took the six months ended December 31, 2008, doubled it to represent 12 months and then divided by 10 percent to reflect a decrease in usage.

- a. Please provide a copy of all analyses conducted to determine why there was decreased usage.
- b. Please provide the recorded usage for each of the years 2004 – 2007 by meter size.
- c. Please confirm that the Company is relying on only the usage ended December 31 from the years 2007 and 2008 to

determine the 10 percent factor. If this understanding is incorrect, please discuss how the Company derived the 10 percent factor and provide a copy of the calculations, workpapers and assumptions used to derive the 10 percent factor.

- d. Please confirm that the use of 50,000 for the test year usage is based on the Company's description provided on pages 30 – 31, rounded down from 50,191. If not, please explain how the 50,000 was derived.

CA-IR-52

Ref: WOM 11.1 and WOM-T-100, pages 30 - 31.

- a. Please provide the actual recorded number of customers by meter size for each of the past five years and the current number of customers by meter size for the month ended September 2009.
- b. The Company indicates that it estimated the number of bills by doubling the number of customers by 2 based on the assumption that the number of customers would not change.
 - 1. Please explain why the Company assumed that the number of customers would not change.
 - 2. Using the same logic that was used to determine the volume of water sales, should the test year estimate be based on the recorded number of customers as of

December 31, 2008 increased by the observed change from June 30, 2008 to December 31, 2009, or about 4%, for a total of about 4,760?

- c. If not already explained elsewhere, please discuss why the number of customers decreased from December 31, 2007 to June 30, 2008.
- d. For any change greater than 10% between any two of the years from 2004 through 2008, please explain why that change occurred.

CA-IR-53

Ref: WOM 11 Schedules.

- a. Please explain why the 8" meter customers are not charged a monthly rate.
 - 1. If not already discussed, please identify each of the 12 customers in this class.
 - 2. Please confirm that each of these customers is not affiliated to the Company.
- b. Please explain why the 4 customers described as (200) KWA are not charged a monthly rate.
 - 1. If not already discussed, please identify each of the 4 customers in this class.
 - 2. Please confirm that each of these customers is not affiliated to the Company.

3. If not already discussed, please describe or discuss what type of meter is used for each of these customers.

CA-IR-54

Ref: Rate Design.

- a. Please provide a detailed discussion of how each of the monthly rates at present rates was developed.
- b. Assuming that the rates were developed based on some relationship to the potential total flow or throughput of water through each pipe size, please provide the analysis between the present rates and the total throughput of each meter size.

DOCKET NO. 2009-0049

WAI'OLA O MOLOKA'I, INC.

FIRST SUBMISSION OF INFORMATION REQUESTS

CA-IR-1

Ref: Application.

- a. In its application, WOMI is proposing to assess water consumption charges that include values in the 10,000th place, or 100th of a cent. Please confirm that WOMI's billing system can accommodate such a charge.
- b. If WOMI cannot provide evidence that its billing system can accommodate values in the 10,000th place, please confirm that the Company's proposal to assess such rates is for the purposes of its application only to minimize rounding differences.

CA-IR-2

Ref: Application.

The Company is requesting the ability to establish an automatic power cost adjustment clause.

- a. Electricity does not appear to be a significant portion of the Company's expenses or revenues. Please explain why the Company believes that it can justify the necessity of a surcharge to recover a specific expense item. Please provide copies of any analyses that support the Company's contentions.

- b. Please identify each plant or equipment item that contributes to the overall electricity bill of the Company.
- c. For each identified item, please discuss whether the use of that item has changed recently (e.g., an electrical pump installed in 2008, an electrical pump retired from service, etc.). For each such identified item, please identify the following:
 - 1. The date on which the change occurred for the applicable item.
 - 2. The costs incurred that funded the conversion of electric or gas equipment/plant.
- d. Please confirm that each of the identified plant or equipment item is used only by the Company and does not reflect an item that is used for any other purpose than those required to provide utility service by the Company.
 - 1. If there any plant or equipment items that are shared or otherwise provides use to any other affiliate, please identify each item.
 - 2. For each item identified, please provide the allocated use assigned to each applicable entity for each of the years 2004 – 2008. In addition, please provide the means by which the Company was able to determine

the appropriate allocation percentage to use for each applicable affiliate.

- e. Please provide any analyses conducted by or on behalf of the Company that allocates the electricity expense between changes in the volume of electricity consumed and the price of the electricity for each of the years 2004 through 2008. Please provide a copy of the analysis that was conducted and provide a copy of any and all documents that support the Company's response.
- f. Please provide copies of any recent analyses or studies which evaluates or otherwise assesses the efficiency of each plant, property, and equipment that consumes electricity.

CA-IR-3

Ref: Application – Water Quality.

- a. Please provide the three most recent reports or assessments from the Department of Health on the water quality.
- b. Please provide a list of the complaints received by the Company regarding water quality in each of the past five years. For each complaint, please provide the following:
 - 1. Date of the complaint;
 - 2. Description of the complaint;
 - 3. Action taken to address the complaint;

4. Date of the action taken; and
5. Any follow-up to ensure that the complaint was adequately addressed.

CA-IR-4

Ref: Application.

- a. Please provide a copy of the organizational chart that identifies and illustrates all affiliates to the Company and its relationship to those affiliates.
- b. Given the relationship to Moloka'i Public Utilities, Inc. and MOSCO, please discuss whether the possibility of consolidating the utility companies has been evaluated.
 1. If so, please indicate when such evaluations have occurred and provide copies of any studies, reports, analyses, etc., that were conducted to evaluate the consolidation.
 2. If not, please explain why not.
- c. Assuming that consolidation of all, or even two, of the utility companies has been discussed, please explain why such consolidation has not taken place.

CA-IR-5

Ref: Application – MPU 2, Schedule 4.

The Consumer Advocate notes that it appears that the independent auditor's report is an unqualified opinion. That is, there is no

disclosure of concern regarding the possibility that WOMI is not a going concern. Given WOMI's recorded losses and situation surrounding its operations, please describe and provide the gist of the discussion held between WOMI and its auditors on the issue of going concern.

CA-IR-6

Ref: Application – Reconnection Fee.

- a. The Company is requesting to increase the reconnection fee to \$100 to account for higher costs and to cover labor and effort. (Application, page 12). Please provide the actual costs and labor incurred to perform reconnections. The Company's response should consist of the historical costs incurred in each of the last three years for each reconnection request.
- b. If not already set forth in the response to part (a) of this information request, please provide the analysis that demonstrates that the costs incurred to support the \$100 reflects a reasonable estimate of normalized ongoing costs.

CA-IR-7

Ref: Application.

- a. Please identify all operating agreements or contracts that the Company has, including, but not limited to, all affiliated

transactions. For each agreement or contract, please provide a copy of each.

- b. Please identify any arrangement for which no documented agreement or contract exists, but results in an exchange of goods or services between the Company and another party, whether affiliated or not.

CA-IR-8

Ref: Application.

- a. Please provide a copy of the tax return for the Company for each of the past five years. Assuming that the Company did not file its own tax return, please provide a copy of the consolidated tax return for each of the past five years and any consolidating workpapers used to support the consolidated tax filing.
- b. Even if not reported for financial statement purposes, please confirm that the Company would be able to recognize net operating losses to offset any taxable income.
 - 1. If it is the Company's assertion that there are no available net operating losses to be applied on a prospective basis, please explain why there would be no net operating losses available to use as an offset to taxable income.

2. Assuming that there are available net operating losses, please identify the available balance of losses that could be used in accordance with the applicable Internal Revenue Service and Hawaii Department of Taxation rules. Please provide a copy of the workpapers and supporting documentation used to develop the Company's response.

CA-IR-9

Ref: Application.

- a. Please confirm that the Company did not write-off for tax reporting purposes any portion of the existing plant, property, or equipment especially those with remaining net book value. Please provide documents that support the Company's assertion.
- b. Please confirm that neither the Company's parent nor any other affiliate, currently existing or not, wrote-off for tax purposes any portion of the existing plant, property, or equipment, especially those items with remaining net book value that are recorded as the Company's assets. Please provide documents that support the Company's assertion.
- c. Please confirm that neither the Company's parent nor any other affiliate, currently existing or not, wrote-off for tax purposes any portion of the existing plant, property, or

equipment that are the basis for any intercompany charges or charges under any agreement, such as a lease. Please provide documents that support the Company's assertion.

CA-IR-10

Ref: Application.

- a. It is the Consumer Advocate's understanding that recent events may have precipitated a change in the business plan and objectives of the Company and its affiliates. If not already provided elsewhere, please provide a detailed discussion of the decision supporting the Company's determination not to seek an earlier rate case rather than supporting such significant losses.
- b. Assuming that there is no quantifiable or qualitative support for the decision not to seek timelier rate relief, the Consumer Advocate is concerned with the possibility that the timelier rate relief was not required in the past because the costs associated with operating the company, both capital and daily expenses, might have already been recovered through other sources. Please respond to this possibility.

CA-IR-11

Ref: Application, Exhibit MPU 2, Schedule 4.

In note 8, there is a reference to a proceeding initiated by the Department of Health compelling the Company to continue its water

operations. Please provide a copy of the documents in this proceeding. If it is the Company's assertion that copies of these documents are in the public domain and readily accessible, please identify the applicable website address or source.

CA-IR-12

Ref: Application, Exhibit WOM 2, Schedules 4 and 5.

- a. Please provide a reconciliation of the plant, property, and equipment balances that are reflected on WOM 1 (which reflects a total of \$3,601,998) and the balance reflected in the independent auditors' report, which is \$3,263,522. Based on the available information, both of these balances are purportedly reflecting data as of December 31, 2008.
- b. Please provide a reconciliation of the plant, property, and equipment balances that are reflected on WOM 3 (which reflects a total of \$3,333,813 as of 6/30/08) and the balance reflected in the independent auditors' report, which is \$3,263,522.
- c. The reported balance of accumulated depreciation is \$1,705,108 as of December 31, 2008 in the independent auditors' report, but the balance reflected on WOM 3, as of June 30, 2008 is \$1,705,465. Please reconcile the difference and explain why the reported balance as of

June 30 is higher than the balance as of December 31 in the auditors' report.

- d. Please reconcile the balances shown on WOM 2, Schedule 5 and WOM 3, where the plant in service balance on WOM 2, Schedule 5 reflects \$3,611,306 as of May 31, 2009 but WOM 3 reflects \$3,353,813 as of June 30, 2009. In your reconciliation please explain why the balance as June 30, 2009 is lower than the balance as of May 31. If the item relates to retirements, please identify the specific item or items that were retired and discuss how the item was disposed of and whether there was any salvage value.
- e. Please reconcile the balances shown on WOM 2, Schedule 5 and WOM 3, for accumulated depreciation. In your reconciliation please explain why the balance as June 30, 2009 is lower than the balance as of May 31.

CA-IR-13

Ref: Application, Exhibit WOM 2, Schedule 4.

- a. In note 4 of the auditors' report, there is a discussion regarding an agreement between the DHHL and MPL. Please provide a copy of that agreement. Please include a copy of any recent amendments or addenda to the agreement.

- b. If not already discussed or made evident elsewhere, please confirm that there is no issue with WOMI and its ability to extend the agreement in order to allow WOMI to continue its reliance on the MIS.
- c. If not made evident in the agreement, please provide the formula that calculates the per unit cost of the water. Please provide a copy of the bills with the appropriate calculations that demonstrate the cost of the water from \$0.80 to \$1.30 in 2008, based on consumption.
- d. It is disclosed that the rates for 2009 will vary from \$0.90 to \$1.50, based on consumption. Please provide the calculations that illustrate these calculations.

CA-IR-14

Ref: Application, WOM 2 Schedule 4.

The auditors' report discusses an operating lease agreement between the Company and MPL.

- a. Please provide a copy of the operating lease agreement.
- b. Please confirm that it is the Company's position that Commission approval of the operating agreement is not required. Please note that if the value of the contract is based upon a monthly charge of \$32,560, this equates to approximately \$390,720 per year, which would seem to

exceed the threshold identified in HRS § 269-19.5. Please provide the basis of the Company's response.

- c. If not already provided elsewhere, please identify each and every plant, property, and equipment that provides the collection, storage, transmission, and delivery of water, including reservoirs, water liens, pipes and other equipment under this lease agreement.
 - 1. For each item identified, please confirm that this item is not reflected on the Company's books.
 - 2. For each item identified, please confirm that it is not used for any other purposes, regulated or unregulated by the Commission.
 - (a) If the item is used for other purposes, please provide a copy of the workpapers relied upon to determine the allocation of the costs of the item between the charges assessed to the Company and all other purposes.
 - (b) Please provide a copy of all supporting workpapers and identify all assumptions used to determine the allocation factors used in the above workpapers.
- d. Please explain why the lease was only entered into on July 1, 2008. If not already explained, please explain what

arrangement existed prior to July 1, 2008 regarding the plant, property and equipment subject to the lease agreement.

- e. Please explain why the Company did not seek to obtain ownership rights to the plant, property, and equipment covered under the operating lease.

CA-IR-15

Ref: Application, Exhibit WOM 2, Schedule 4.

- a. Please provide a detailed workpaper that supports the balance of \$5,472,065, which is supposed to represent the amount due to affiliates. This workpaper should include, but not be limited to:
 - 1. identification of the affiliate that is owed;
 - 2. identification of the amount owed to each affiliate;
 - 3. identification of the date that the liability was incurred; and
 - 4. terms and conditions of the liability.
- b. If not already disclosed, please state whether any of the liability is to Molokai Ranch or assigned from Molokai Ranch to another affiliate. Please provide copies of documents that support the response.

CA-IR-16

Ref: Application – Plant Additions.

- a. For each of the planned plant additions in the test year, please provide the following:
 - 1. a description of the item;
 - 2. confirm that the item was or will be procured through a bidding process;
 - 3. describe the function of the item;
 - 4. identify the item as related to demand/customer growth, replacement, enhancement, or other; and
 - 5. Identify or confirm the expected date of completion.
- b. Please provide the same information for each of the plant additions for the year ended 6-30-09 as requested in part (a) of this information request.
- c. If any of the items discussed in response to part (a) or (b) of this information request were or will not be procured through a bid process, please separately discuss for each item why a bid process was not necessary and/or prudent.

CA-IR-17

Ref: WOM 9.

- a. The Company reflects a zero balance for net CIAC. Please confirm that it is the Company's contention that it has not received any contributions, whether cash or in-kind, to offset any of the plant balances.

- b. The Company reflects a zero balance for State ADIT. Please confirm that it is the Company's contention that it does not use accelerated cost recovery or depreciation calculations for State tax purposes.
1. If not already provided elsewhere, please provide copies of the appropriate schedules from the Company's tax returns that demonstrate that the Company's tax depreciation method is exactly the same as its book depreciation method for State purposes.
 2. If the Company does not rely upon accelerated depreciation methodologies for State tax purposes, please explain why the Company does not avail itself of this option.
 3. If it is the Company's assertion that it has established a valuation allowance that reduces any possible deferred tax assets due to uncertainty surrounding the possible realization of those assets' values, please discuss how the temporary rate increase and the instant rate increase affects the assessment of whether the realization of any deferred tax asset might be probable, possible or remote.

CA-IR-18

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please provide a description of what the "Kipu System Improvements" are and what functions they serve with respect to water utility service.
- b. Please explain why no book depreciation has been taken on this item.
- c. Please explain why there is an accumulated tax depreciation balance of \$31,493 as of 6/30/08 and why no further additions to this balance appear even though the total cost is reflected as \$33,751.

CA-IR-19

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please provide a description of what the "Water System - Maunaloa" represents and what function it serves with respect to water utility service.
- b. Please provide the basis for the estimated service life used for this item.
- c. Please explain why there is no ADIT balance associated with this item.

DOCKET NO. 2009-0049

WAI'OLA O MOLOKA'I, INC.

SECOND SUBMISSION OF INFORMATION REQUESTS

CA-IR-20

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please provide a description of what each of the reservoir improvements represents and the function each improvement serves with respect to water utility service.
- b. Please provide the basis for the estimated service life used for this item.

CA-IR-21

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please provide a description of what the following items represent and what function each item serves with respect to water utility service:
 1. Mipa 12" waterline;
 2. Lialalii Reservoir;
 3. Potable Water System;
 4. Maunaloa Village Water System;
 5. Data System;
 6. Maunaloa 12" Water Main;
 7. ML Reservoir Repair;
 8. Replace Kualapuu Reservoir Roof; and
 9. 4" Pipeline Kualapuu reservoir – Kipu.

- b. Please provide the basis for the estimated service life used for this item.

CA-IR-22

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please discuss whether the Company has analyzed or studied the remaining useful lives for each of its plant items. If an analysis has been conducted, but for only select items, please identify those items.
- b. If the Company has not conducted such an analysis, even though it has items still used and useful that are fully depreciated, please explain why such an analysis should not be conducted.
- c. There are items that are listed and appear to be fully depreciated. Please confirm that these items are used and useful for utility purposes.

CA-IR-23

Ref: WOM 9.2, 9.3, 9.4, and 9.6.

- a. Please explain each of the differences in the items listed on WOM 9.2 and WOM 9.6. For instance, WOM 9.6 lists a "WIP Kualapuu Reservoir," with a total cost of \$10,949. However, this same item and cost does not seem to appear on WOM 9.2.

- b. If not already provided in response to part a. above, please reconcile each of the differences in the total costs for each applicable item between WOM 9.2 and 9.6. For instance, the Maunaloa Village Water System is listed as having a balance of \$1,639,674 on WOM 9.2, but the total cost is reflected as \$1,637,898 on WOM 9.6. If the difference in book and tax basis is related to items such as the capital goods excise tax credit, please provide the calculations that show the difference and confirm that the credit amount is included on WOM 9.7.

CA-IR-24

Ref: WOM 9.7.

- a. Please confirm that the schedule reflects a completed schedule.
- b. Assuming that it is a completed schedule, please discuss why the schedule only reflects items added in 2005. As it appears that the Company is using a 15 year amortization period, there should be items dating back to 1996 if the credit was taken.
- c. If the Company asserts that it did not take the credit on any items between 1996 and 2005, please explain why.
- d. Please explain why there is no forecasted capital excise goods excise tax credit for either 2009 or 2010 even though

the Company is proposing to add \$40,000 in years 2009 and 2010, combined. Assuming that the decision to omit any additions to the capital goods excise tax credit is related to Act 178, Session Laws of Hawaii 2009, the language indicates that plant placed into service between the May 1, 2009 and December 31, 2009 are not eligible for the credit. If it is the Company's assertion that the credits are not applicable to the items to be added in 2009 and 2010, please provide an analysis that supports the Company's assertion.

CA-IR-25

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

- a. Please provide the following information for each of the years 2002 through the test year.
 1. identify each of the positions whose costs are reflected in the direct salaries and wages or personnel charges;
 2. identify the salary or wage rate for each position;
 3. for each of the positions paid by wage, provide the number of hours charged to the company separated by straight and overtime;

4. identify the function of the position and provide detailed description of the duties and responsibilities for that position; and
 5. identify the number of months that each position was filled or expected to be filled in each year.
- b. If not clearly evident in the response to part a. above, please provide the annual salary and wage increases in each of the years.
 - c. On page 19 of WOM-T-100, the Company indicates that it has included a 3.0 percent increase in wages and salaries for the test year. Please justify the granted or expected level of salary and wage increases. Please include a copy of any analysis or study that supports the need for such an increase.
 - d. Assuming that there were any increases in the number of positions in any of the years from 2002 forward, please justify the need for the position.
 - e. If not already explained elsewhere, please explain the increase in the direct S&W in 2007 and the subsequent decrease in 2008.

CA-IR-26

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

The Company indicates on page 19 of WOM-T-100 that a position was added effective July 1, 2009.

- a. Please confirm that the position was filled as of July 1, 2009.
If not, please state when, or if, the position was filled.
- b. Please identify the nature of the maintenance projects that the employee is expected to work on.
- c. If the maintenance projects are not annually recurring, please explain the need to add a position instead of relying on a third party vendor.
- d. If the maintenance projects have not been done in the past, please explain why they are needed now and explain why those maintenance projects were not performed in the past.

CA-IR-27

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

- a. If the information being sought in any of the subparts of this request will result in the provision of documents or responses identical to the information that will be or was provided in response to CA-IR-33 in Docket No. 2009-0048, please state so.
- b. Please provide copies of time reports for all direct charges reflected on the Company's books for each of the years 2004 through 2009 year-to-date. If this is voluminous,

please provide copies of any summary or "rolled-up" reports that identifies the employee and the reported hours.

- c. If not already provided in response to another request, please provide the total annual salary and wage for any position that has been or is either directly charged or allocated to the Company.
- d. If not already provided elsewhere, please confirm that these are all of the employees who directly charge the three utility companies (MPU, WOM, and MOSCO).
 1. If not, please provide a complete list of all employees who directly charge time to the three utility companies.
 2. If the positions do represent a comprehensive list, please discuss why MOSCO is apparently much easier to operate and maintain, since MPU has projected the following manhours for MPU, WOM and MOSCO.

Forecasted manhours		
	2009	2010
MPU	7821	8757
WOM	4867	5699
MOSCO	1872	2184
Total	14560	16640

As the table above shows, Company's management appears to project that MOSCO will require nominal labor (around one man year's worth of time), where

the other two utility companies will require much more time. Please explain the apparent discrepancy.

- e. If not already provided elsewhere, please provide the time reports for the labor charges charged through cost of sales for each of the years 2006 through 2008. If the time reports do not clearly show the hours charged, applicable wage/salary rates that justify the amount recorded in each year, please provide copies of the documents that support the allocated charges.

CA-IR-28

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

- a. Please explain the nature of the event that caused the workers comp expense recorded in 2006 to be significantly higher than all other years.
- b. If not already explained elsewhere, please explain why the benefits charged through the cost of sales are significantly higher than all other years.

CA-IR-29

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

- a. If the information being sought in any of the subparts of this request will result in the provision of documents or responses identical to the information that will be or was

provided in response to CA-IR-34 in Docket No. 2009-0048, please state so.

- b. Please discuss whether the Company has evaluated the cost effectiveness of requesting bids for a third party to provide operating and maintenance services as a possible means by which to reduce costs. If so, please discuss the results of that evaluation and provide copies of any relevant documents.
- c. If the Company has not conducted any such evaluations, please discuss why not.

CA-IR-30

Ref: WOM 10.1, WP WOM 10.1, WOM-T-100.

- a. If the information being sought in any of the subparts of this request will result in the provision of documents or responses identical to the information that will be or was provided in response to CA-IR-35 in Docket No. 2009-0048, please state so.
- b. Please provide a copy of the premiums or appropriate vendor notifications that support each of the employee benefits. Please provide copies for each of the past three years.
- c. If there have been any notable increases in the premiums or costs associated with any of the benefits, please discuss

whether the Company has sought bids or proposals from other vendors as a means by which to minimize its costs.

- d. Assuming that the costs on workpaper WOM 10.1 represent the costs that the Company has to pay, please identify the cost that the employee is expected to pay towards medical, dental and any other applicable benefit.
- e. Please provide a copy of the election form for each employee for the current year.

CA-IR-31

Ref: WOM 10.2, WP WOM 10.2, MPU-T-100.

Please provide an updated workpaper WOM 10.2 that provides the actual electricity consumed through the most recent billed period in the Company's possession.

CA-IR-32

Ref: WOM 10.2, WP WOM 10.2, WOM-T-100.

- a. Please provide the gallons of water pumped by the Kualapuu pump on a monthly basis for each of the years 2006 through 2009 year-to-date.
- b. The Company, on page 21 of WOM-T-100, indicates that it "used historic energy usage and costs to develop the pro forma amounts for the" test year. In looking at workpaper WOM 10.2, however, the projected 12,000 KWH usage is a hard input (i.e., a number entered into the cell and not the

result of a formula). This is also true for the estimate for the year ended 6-30-09. Please provide the formula used to determine the 12 months activity for both the years ended 6-30-09 and 6-30-10.

- c. Please discuss whether the Company takes advantage of either energy efficiency or pricing options (e.g., Rider M) to minimize its electricity expenses. If not, please explain why not.

CA-IR-33

Ref: WOM 10.2, WP WOM 10.2, WOM-T-100.

- a. Please provide the gallons of water pumped by the Kalae Booster pump on a monthly basis for each of the years 2006 through 2009 year-to-date.
- b. In looking at workpaper WOM 10.2, however, the projected 6,000 KWH usage is a hard input (i.e., a number entered into the cell and not the result of a formula). This is also true for the estimate for the year ended 6-30-09. Please provide the formula used to determine the 12 months activity for both the years ended 6-30-09 and 6-30-10.
- c. Please discuss whether the Company takes advantage of either energy efficiency or pricing options (e.g., Rider M) to minimize its electricity expenses. If not, please explain why not.

CA-IR-34

Ref: WOM 10.2, WP WOM 10.2, WOM-T-100.

The average electricity cost for WOM appears to be generally higher than the average electricity costs for MPU. Please explain why. Please provide a copy of workpapers used to support the Company's response.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S FIRST THROUGH THIRD SUBMISSIONS OF INFORMATION REQUESTS** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

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DATED: Honolulu, Hawaii, November 12, 2009.

A handwritten signature in cursive script, appearing to read "Timothy Brunnert", is written over a horizontal line.